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## **Israel**

### **Dairy and Products**

#### **A General Review**

**2002**

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#### **Report Highlights:**

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Israel's dairy industry, along with the poultry sector, are the most protected segments of Israel's agriculture. Dairy imports average about five percent of total consumption. Annual milk production, approximately 1.2 billion liters, is controlled under a quota system and grows with the population. Government policy is designed to improve producers' competitiveness with growing imports by improving efficiency, and to cope with growing environmental problems caused by the industry.

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Includes PSD changes:  
Includes Trade Matrix:  
Cairo [EG1], IS

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## Executive Summary

**Milk production:** The number of dairy cows in Israel is estimated at 115,000 to 120,000 head. Milk deliveries in 2001 increased by 4.1 percent to 1,174 million liters. Production meets practically all the needs of Israel's 6.58 million inhabitants as well as the much smaller demand of over 3 million Palestinians. Farm gate prices in 2001 averaged NS 1.47/liter (35 cents).

**The industry structure:** Government policy aims at introducing structural changes to reduce the number of individual dairy farms, and to motivate farmers to merge small cattle holdings into larger units to increase production efficiency. About 58 percent of the total production is produced by kibbutz dairy farms and about 41 percent by smallholder cooperative farms. One percent is produced by agricultural schools.

**Consumption:** Average per capita consumption of dairy products has declined in recent years from 181 liters of skim milk equivalent per capita in 1986 to 174 liters in 2001. This consumption trend can be explained by : (a) the recent recession in the Israeli economy; (b) the decline in tourism; (c) a fall in sales to the Palestinian Authority and (d) to a lesser extent competition from imports, mainly cheese and butter. The decline in per capita consumption is a source of concern for the industry. Annual dairy imports average the equivalent of 50-60 million liters of raw milk, approximately 5 percent of annual production.

**Liquid milk marketing:** Liquid milk (pasteurized and UHT milk) sales in 2001 grew very slightly (1.15 percent) compared to 2000, considering the 3.4 percent population growth. Part of the pasteurized milk is in the form of milk beverages, mostly chocolate-flavored, whose consumption grew from 10 percent of the fluid milk in 1996 to 18 percent in 2001.

**Marketing of fermented products and desserts:** Some 77,000 mt of yoghurt and similar products have been marketed annually in the past five years.

**Cheese:** Almost 78,000 mt of soft cheese was produced in 2001 compared to less than 21,000 mt of hard cheese (20-25 days maturation). Soft cheese requires 1.6 times the quantity of milk used in the locally produced hard cheese.

**Imports:** The restrictions on the importation of milk products have been eased since 1998 and various preserved milk products are now imported from the EU, as are small quantities from the USA. Imports in 2001 totaled 1,645 mt of skim milk powder, 2,350 mt of whole milk powder, 1,450 mt of cheese and of butter. These quantities are equivalent to approximately 55 million to 60 million liters of milk. Duties of 50 percent are levied on most dairy products and this import tariff is reduced marginally each year.

## Production

### Key Figures and Major Trends

The number of dairy cows in Israel remained stable in 1999 - 2001 and is estimated at 115,000 to 120, 000 head. Milk supplies to the dairies increased by 4.08 percent - from 1,128 million liters in 2000 to 1,174 million liters in 2001. Sheep and goat herds supply another 12 million liters per year. (Table 1).

**Table 1: Israel - Milk Production, Supply and International Trade.**

	Units	1999	2000	2001
Cows in milk	000	115-120	115-120	115-120
Milk production : Cows	Mil. Liters	1,132	1,128	1,174
Sheep	Mil. Liters	9	9	10
Goats	Mil. Liters	3	3	4
Total Production	Mil. Liters	1,144	1,140	1,188
Total Imports	Mil. Liters*	90	101	105
Total Exports	Mil. Liters*	12	4	10
Total for Consumption	Mil. Liters	1,222	1,237	1,283

Source: Israel Dairy Board, Annual Report 2001

\* A calculated figure of raw milk equivalent (rounded).

Israel's dairy industry is governed by a quota system. Each farmer is allocated an individual production quota. The farmer enters into a contract with a processor and undertakes to supply all his production to that dairy. He is entitled to switch once annually to another dairy. The producer receives a controlled price for the milk supplied within his quota; this price is updated periodically and is referred to as the "target price". It is calculated on the basis of a normative production cost estimate. A premium is paid for high quality milk. Penalties are assessed for low quality and for exceeding the quota.

Individual production quotas are adjusted annually according to the forecast demand of the population. The quota system enables the policy makers to meet market demand, without producing surpluses. The estimate of the skim milk component of the dairy products provides the basis for the quota determinations.

### Production Policy

The dairy industry has undergone a structural reform in the past four years. This restructuring is motivated by Government Resolution 4173 of December 1998 which aims at reducing the number of small dairy farm units, motivating the farmers to invest in their farms, increase their herd size and enjoy economies of size. This enables them to increase production efficiency and to protect and improve the environment of their farms. The intended result of this restructuring is to reduce production costs and producer prices and prepare the industry for competition as import barriers are gradually lowered under the country's WTO

commitments.

As part of this process, larger scale dairy enterprises have been set up: 189 farmers in the smallholder cooperative family farms (moshavim) have set up 82 associations, each with a relatively large herd which incorporates the operation of the individual herds comprising each association. Similarly, 25 collective farms (kibbutzim) have set up 12 dairy farm associations which produce approximately 10 percent of the industry's production. Closing down a number of dairy cattle farms has resulted in the cancellation of quotas totaling 85 million liters in the past few years.

In summary, the dairy industry has become more concentrated and the number of dairy cattle holdings has declined, resulting larger sized holding which are more efficient. The total production of the industry increased by 3.5 percent between 1999 and 2001 while the number of enterprises or farms dropped by 11.1 percent and the national herd size remained stable.

#### **Raw Milk Production**

Local production of raw milk of all kinds (mostly of cows and a small number of sheep and goats) has not changed significantly during the past four years. Annual production in these years averaged 1,153 million liters and ranged from 1,139 million liters in 1998 to 1,188 million liters in 2001. Suppliers of cow's milk in Israel can be classified in two groups: collective farms (kibbutzim) and smallholder cooperative farms (moshavim). In 2001, 209 kibbutz farms (including the 12 associations) produced 682 million liters, 58 percent of the total domestic supply, while in the same year 1,025 moshav producers (including the 82 associations) produced 479 million liters, 41 percent of the total. The remaining 12 million liters were produced by agricultural schools.

Seasonality of supply has changed in the past few years as evidenced by the following maximum and minimum monthly production values and shipments to the dairies. Analysis of monthly production shows that the production declined in the peak supply months of March to May from 27.9 percent of the annual supply in 1999 to 27.3 percent in 2001, and increased in the minimum month of September from 7 to 7.4 percent. A similar trend is observed in the fat and protein content. This is attributed to managerial improvements.

#### **Milk Quality**

The quality of raw milk, as expressed in terms of fat and protein content, has improved over the past seven years (Table 2). This may be explained by the improved management practices backed up by professional extension support, and by the pricing system which motivates the producer to increase the fat and protein content of the product.

**Table 2: Fat and Protein Content of Raw Milk**

Year	Fat	Protein
	Percent	
1995	3.209	3.034
1996	3.274	2.986
1997	3.316	3.065
1998	3.371	3.120
1999	3.376	3.142
2000	3.419	3.183
2001	3.479	3.196

Source: Israel Dairy Board, Annual Report 2001

The need to improve milk quality presents the industry with a major challenge. A set of quality criteria was laid down by the Israel Dairy Board in 1997. The two main criteria are bacterial level and somatic cell count, and these are becoming more stringent from year to year. For instance, the maximum somatic cell count for Grade A milk has been reduced annually over the past four years. In 1997 the count stood at 390,000 per milliliter, reaching an upper limit in 2001 of 350,000. Nevertheless, 99 and 93 percent respectively of the milk shipped to the dairies in 1997 and 2001 was graded as "Superior" and "A". It is generally considered that the higher quality raw milk has a positive effect on the production of the dairies and on the shelf-life, the quality and taste of the dairy products.

### Producer Prices

Producer prices are set, as target prices, by the Dairy Board. In principle, the target price is aimed at covering average production costs which are estimated at least once a year, and is based on the composition of production inputs. These are ascertained from surveys carried out every second year. To this general "target price" one should add (or subtract) the premiums resulting from the change in the fat and protein content of the milk. The target prices (Table 3) serve also as the basis for calculating the return to the producer for milk supplied in excess of the quota or below the quality standard. These producers receive less than the target price.

**Table 3: Israel - Producers' Prices of Milk**

Year	Producer Prices	
	NS per liter	
	Nominal prices	Real prices*
1995	1.173	1.614
1996	1.364	1.686
1997	1.416	1.605
1998	1.411	1.519
1999	1.448	1.481
2000	1.531	1.548
2001	1.474	1.474

Source: Israel Dairy Board, Annual Report 2001

\*Prices of 2001. \$1.00 = NS4.206

The reduction in producer prices from year to year is a major element of government policy designed to encourage farmers to improve the efficiency of their dairy farm operations. A reduction in prices will also enable the industry to compete with growing dairy imports, the result of Israel's international trade agreements.

Production of sheep and goats' milk is a relatively important traditional component of the dairy industry in Middle Eastern countries, though quantitatively it is minor in Israel. The sheep and goat herds produce annually 9-10 million liters and 3-4 million liters respectively. However, they contribute to the variety of supply of dairy products.

## Consumption

### Key Figures and Trends.

Average consumption of dairy products has decreased slightly in the past few years (Table 4). This is a matter of concern for the industry. Nevertheless, the variety of dairy products offered has become richer. This appears to be an outcome of the growing number of local dairies, as well as of the assortment of imported products now available. A phenomenon to be recognized is the consumer inclination toward low fat products with 0 percent, 0.5 percent and 5 percent fat content.

Both phenomena have increased local market competition. The country's second largest dairy, for instance, is about to launch a line of cottage cheese, whereas currently 95 percent of the cottage cheese market is dominated by the country's largest dairy. Still, the large-granule cottage cheese, and especially the type

enriched with fruits, is not produced in Israel.

In recent years, the major imported dairy products are cheese and butter, coming mainly from France, Denmark and Holland. In the period 1996 through 2001 (Table 5), the growth rate of the entire local supply of milk and milk products was less than 1.5 percent. Such a rate represents a decline in per capita consumption, taking into account an average annual population growth rate of 2.4 percent.

**Table 4: Israel - Annual Per Capita Consumption\* of Dairy Products**

	1996	1998	2000	2001
<b>TOTAL**</b>	<b>181</b>	<b>180</b>	<b>177</b>	<b>174</b>
<b>Liquid milk</b>	<b>54.6</b>	<b>55.4</b>	<b>54.2</b>	<b>53.5</b>
<b>Fermented products and desserts</b>	<b>23.2</b>	<b>23.9</b>	<b>23.5</b>	<b>23.0</b>
<b>Soft cheese</b>	<b>12.7</b>	<b>12.2</b>	<b>12.0</b>	<b>11.8</b>
<b>Cheese</b>	<b>3.5</b>	<b>3.4</b>	<b>3.4</b>	<b>3.3</b>
<b>Butter</b>	<b>0.72</b>	<b>0.77</b>	<b>0.82</b>	<b>0.78</b>

Source: Israel Dairy Board, Annual Report 2001

\* Kilograms or liters

\*\* Skimmed milk equivalent: calculations based on the milk supply adjusted by changes of the stocks of long shelf life products and the trade balance.

The declines in consumption may be explained by the following factors: (a) the recession in the Israeli economy (dairy products have positive income elasticity); (b) the decline in the number of tourists and its consequent effect on consumption of milk and milk products; (c) the reduction in sales to Palestinian markets; and (d) competition from imported products, mainly cheese and butter.

Owing to lack of data, the effect of soy drink and tofu consumption, as well as other dairy substitutes, cannot be determined.

#### **Liquid Milk Sales**

Liquid milk consumption, which includes pasteurized and UHT milk, including flavored drinks grew by 1.15 percent in 2001 (Table 5). This actually constitutes a 2.2 percent drop in per capita consumption when taking into account the 3.4 percent growth in the population in 2001. Sales of pasteurized milk grew partly at the expense of the long shelf-life UHT, milk.

**Table 5: Israel - Sales of Liquid Milk and Fermented Products**  
 millions of liters

	1996	1997	1998	1999	2000	2001
<b>TOTAL DAIRY PRODUCTS*</b>	<b>1,054</b>	<b>1,073</b>	<b>1,099</b>	<b>1,124</b>	<b>1,139</b>	<b>1,147</b>
<b>Pasteurized milk**</b>	<b>280</b>	<b>289</b>	<b>303</b>	<b>311</b>	<b>313</b>	<b>322</b>
<b>UHT milk**</b>	<b>37</b>	<b>33</b>	<b>36</b>	<b>36</b>	<b>35</b>	<b>30</b>
<b>Subtotal, Liquid Milk</b>	<b>317</b>	<b>322</b>	<b>339</b>	<b>347</b>	<b>348</b>	<b>352</b>
<b>Fermented products:</b>						
<b>Yoghurt</b>	<b>18.9</b>	<b>21.7</b>	<b>25.5</b>	<b>27.6</b>	<b>27.2</b>	<b>26.8</b>
<b>Sour cream</b>	<b>19.7</b>	<b>20.0</b>	<b>21.1</b>	<b>22.7</b>	<b>22.6</b>	<b>22.9</b>
<b>Plain products***</b>	<b>38.5</b>	<b>38.3</b>	<b>36.4</b>	<b>31.4</b>	<b>29.0</b>	<b>27.9</b>
<b>Subtotal, Fermented Products</b>	<b>77.1</b>	<b>80.0</b>	<b>83.0</b>	<b>81.7</b>	<b>78.8</b>	<b>77.6</b>
<b>Desserts****</b>	<b>51.6</b>	<b>54.3</b>	<b>57.0</b>	<b>59.4</b>	<b>60.3</b>	<b>60.3</b>
<b>Subtotal, Fermented Products &amp; Desserts</b>	<b>128.7</b>	<b>134.3</b>	<b>140.0</b>	<b>141.1</b>	<b>139.1</b>	<b>137.9</b>

Source: Israel Dairy Board, Annual Report 2001

\* A calculated figure in terms of skim milk (thousands of liters).

\*\* Including flavored drinks (mostly chocolate and coffee).

\*\*\* Local names - "Leben" and "Lebenia".

\*\*\*\* With and without added fruits.

Part of the pasteurized milk is consumed as flavored drinks, mostly chocolate, whose consumption is growing constantly (10 percent of the liquid milk in 1996 as compared with 18 percent in 2001). On the other hand, consumption of the UHT group of milk products has declined from 11.7 percent of the total liquid milk consumption in 1996 to 8.5 percent in 2001.

#### Sales of Fermented Products and Desserts

This group encompasses a diverse series of brands and now includes numerous flavors and many types of additives, colorants and fruit pieces. The rich variety of flavors and textures is a direct result of the entry to the market of new dairies and growing competition throughout the industry.

Sales of this group of fermented products has not grown significantly in recent years, despite the efforts of the dairy plants: 77,100 mt in 1996 compared to 77,600 mt in 2001. A certain substitution seems to occur in that yoghurts, plain and flavored, are replacing the traditional simpler products.

Per capita consumption of the group remained relatively stable (Table 4) due to the growth in sales of yoghurts and desserts. During the past decade, dessert sales have grown from 42,600 mt in 1992 to 60,300mt in 2001. The annual cumulative growth rate is approximately 3.5 percent beyond the increase of population. This may be explained by the positive income elasticity estimated for this group of products, especially for desserts.

#### Cheese - Soft and Hard

Cheese consumption in Israel differs from that of other western countries. Israel is unique in that soft cheese constitutes the greater part of the market as evidenced by the consumption of 77,850 mt of soft cheese in 2001 compared to 20,720 mt of hard cheese (Table 6). The milk used to produce this quantity of soft cheese is 1.6 times what is required to produce hard cheese. Moreover, the hard cheese produced in Israel has an additional distinctive trait: most of it is matured for less than one month, in many cases only for 20 to 25 days. The resulting product is relatively soft. Since these types constituted the major part of supply for decades within Israel's closed market, a specific taste was cultivated and the Israel consumer reveals a definite preference for its own characteristic type of domestically produced "hard" cheese.

**Table 6: Israel -Sales of Cheese and Butter (mt)**

	1996	1997	1998	1999	2000	2001
<b>Cow's milk products:</b>						
Spreadable soft-cheese	47,554	47,515	47,214	47,272	48,533	49,620
Cottage cheese	17,342	18,634	19,435	20,935	21,178	21,392
Non-fat spreadable cheese	8,974	8,648	8,123	7,510	7,178	6,835
Subtotal, Soft cheese	73,870	74,797	74,772	75,717	76,889	77,847
Hard cheese	19,157	18,929	19,427	20,029	20,682	20,719
Processed cheese	1,392	1,332	1,236	1,299	1,256	1,273
Butter	4,151	4,745	4,709	5,014	5,235	5,156
<b>Sheep milk cheese:</b>						
Soft cheese	406	431	644	648	797	971
Hard cheese	940	1,031	1,093	1,110	1,036	1,136
<b>Goats' milk cheese:</b>						
Soft cheese	8	4	123	135	189	261
Hard cheese	141	66	153	206	197	210

Source: Israel Dairy Board, Annual Report 2001

The major trends seen from Table 6 are as follows:

- a. The quantity of the principal spreadable soft cheese marketed has not changed over time.
- b. Consumption of cottage cheese is increasing and its share of the market is growing;
- c. The market for non-fat spreadable soft cheese is in decline.
- d. The mix of these products in the markets has become richer and more varied over the years.

#### **Dried Whole and Skim Milk**

There is only one plant in Israel producing powdered milk. It was set up originally to offset the seasonal differences between milk production and local consumption.

### **Trade**

#### **Imports and Exports**

Table 7 (a, b and c) presents the import and the export data for dairy products. The indirect relations of this trade to the consumption of dairy products should be noted. Product lines such as concentrated milk, whole (full fat) powdered milk, etc. are not produced locally and are all imported. Moreover, these and other products are imported especially for industries other than dairies or for direct retail sale: sweets and candies, ice cream, livestock feed, bakeries, etc. Currently this import is not considered by the industry leaders as competing with the local dairies since there is no installed capacity in Israel to produce the last group of products.

**Table 7 a: Israel - Imports of Dairy Products**

	Unit	1996	1999	2000	2001
<b>Milk or Cream</b> <b>HS0402</b>					
<b>Concentrated or Sweetened, Solid, Fat &lt; 1.5%</b> <b>HS040210</b>	<b>\$'000</b>	<b>1,744</b>	<b>5,606</b>	<b>10,993</b>	<b>6,304</b>
<b>Concentrated, not containing added sugar</b> <b>HS040221</b>	<b>\$'000</b>	<b>6,805</b>	<b>5,369</b>	<b>4,219</b>	<b>7,120</b>
<b>Other, concentrated</b> <b>HS040229</b>	<b>\$'000</b>	<b>0</b>	<b>34</b>	<b>59</b>	<b>10</b>
<b>Non containing added sugar</b> <b>HS040291</b>	<b>\$'000</b>	<b>0</b>	<b>28</b>	<b>20</b>	<b>3</b>
<b>Other milk or cream</b> <b>HS040299</b>	<b>\$'000</b>	<b>421</b>	<b>327</b>	<b>281</b>	<b>407</b>
<b>Total Imports of Milk or Cream</b> <b>HS0402xx</b>	<b>\$'000</b>	<b>8,590</b>	<b>11,364</b>	<b>15,572</b>	<b>13,844</b>
<b>Buttermilk yoghurt, cream, kafil, etc.</b> <b>HS0403xx</b>					
<b>Fermented or acidified milk and cream, yoghurt</b> <b>HS040310</b>	<b>\$'000</b>	<b>299</b>	<b>0</b>	<b>127</b>	<b>64</b>
<b>Other</b> <b>HS040390</b>	<b>\$'000</b>	<b>0</b>	<b>1,292</b>	<b>1</b>	<b>-</b>
<b>Total Fermented Imports</b> <b>HS0403xx</b>	<b>\$'000</b>	<b>299</b>	<b>1,292</b>	<b>128</b>	<b>64</b>
<b>Whey &amp; Products of Natural Milk.</b> <b>HS 0404xx</b>					
<b>Whey and modified whey</b> <b>HS040410</b>	<b>\$'000</b>	<b>819</b>	<b>1,112</b>	<b>1,171</b>	<b>1,067</b>
<b>Other whey</b> <b>HS040490</b>	<b>\$'000</b>	<b>0</b>	<b>6</b>	<b>18</b>	<b>236</b>
<b>Total Imports of Whey &amp; Products</b> <b>HS0404xx</b>	<b>\$'000</b>	<b>819</b>	<b>1,118</b>	<b>1,189</b>	<b>1,303</b>

Source: Israel Dairy Board, Annual Report 2001, Israel Central Bureau of Statistics

**Table 7 b: Israel - Imports of Dairy Products**

Product & HS code		Unit	1996	1999	2000	2001
Butter	HS040510	\$'000	102	364	1,909	966
Total Imports of Butter	HS040510	\$'000	102	364	1,909	966
Imports		mt	63	146	943	604
Exports		mt	83	27	0	742
Powdered Milk Imports :	HS0402xx					
Skimmed powdered milk	HS040210	mt	1,500	3,024	4,230	2,449
		\$'000	1,744	5,606	10,993	6,304
Whole powdered milk	HS040220	mt	2,260	2,102	758	2,350
		\$'000	7,226	5,470	4,268	7,136

Source: Israel Dairy Board, Annual Report 2001, Israel Central Bureau of Statistics

**Table 7 c: Israel - Imports of Dairy Products**

Product	Unit	1996	1999	2000	2001
<b>Cheese and Curd Imports HS0406xx</b>	<b>\$'000</b>				
<b>Cheese and curd, fresh HS040610</b>	<b>\$'000</b>	<b>751</b>	<b>731</b>	<b>717</b>	<b>765</b>
<b>Cheese and curd (5<sup>th</sup> addition) HS040620</b>	<b>\$'000</b>	<b>0</b>	<b>361</b>	<b>527</b>	<b>815</b>
<b>Processed cheese HS 040630</b>	<b>\$'000</b>	<b>354</b>	<b>303</b>	<b>444</b>	<b>761</b>
<b>Blue-veined cheese HS040640</b>	<b>\$'000</b>	<b>104</b>	<b>147</b>	<b>180</b>	<b>274</b>
<b>Other cheese HS040690</b>	<b>\$'000</b>	<b>1,414</b>	<b>1,951</b>	<b>2,501</b>	<b>3,727</b>
<b>Total Cheese &amp; Curd Imports HS0406</b>	<b>\$'000</b>	<b>2,633</b>	<b>3,493</b>	<b>4,369</b>	<b>6,342</b>
<b>Cheese</b>					
<b>Imports</b>	<b>mt</b>	<b>421</b>	<b>576</b>	<b>880</b>	<b>1,486</b>
<b>Exports</b>	<b>mt</b>	<b>1,843</b>	<b>100</b>	<b>40</b>	<b>37</b>
<b>TOTAL TRADE</b>					
<b>Import - millions of liters **</b>		<b>70.0</b>	<b>61.8</b>	<b>92.8</b>	<b>78.8</b>
<b>Export - millions of liters **</b>		<b>49.7</b>	<b>10.6</b>	<b>4.3</b>	<b>13.8</b>

Source: Israel Dairy Board, Annual Report 2001, Israel Central Bureau of Statistics

\*\* Skim milk equivalent of the imported products destined for the dairies, not for other food industries, e.g those producing ice-cream, candies, etc.

Table 8 presents a list of the major countries which supply most of Israel's imported dairy products. These represent the potential competition to US dairies interested in exporting to Israel. The open nature of the Israeli market since 1996 is seen from the three-fold growth of imports within this short period. At the same time, Israeli exports of milk products declined and are now negligible.

Table 8 a: Israel - Major Suppliers of Dairy Products, \$'000

	HSCode	1996	1999	2000	2001
<b>Milk or Cream</b>	<b>0402xx</b>				
<b>Concentrated or Sweetened, Powdered, Fat &lt;1.5%</b>	<b>040210</b>	<b>1,744</b>	<b>5,606</b>	<b>10,993</b>	<b>6,304</b>
<b>Of which: Denmark</b>		<b>776</b>	<b>1,372</b>	<b>2,050</b>	<b>2,222</b>
<b>Germany</b>		<b>410</b>	<b>1,358</b>	<b>1,693</b>	<b>7</b>
<b>Netherlands</b>		<b>103</b>	<b>714</b>	<b>572</b>	<b>317</b>
<b>USA</b>		<b>-</b>	<b>1,454</b>	<b>6,266</b>	<b>2,119</b>
<b>Concentrated, not containing added sugar</b>	<b>040221</b>	<b>6,805</b>	<b>5,369</b>	<b>4,219</b>	<b>7,120</b>
<b>Of which: France</b>			<b>1,148</b>	<b>632</b>	<b>678</b>
<b>Germany</b>		<b>3,988</b>	<b>1,601</b>	<b>1,678</b>	<b>3,236</b>
<b>Netherlands</b>		<b>2,119</b>	<b>2,156</b>	<b>1,789</b>	<b>488</b>
<b>Denmark</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,045</b>
<b>Buttermilk, yoghurt, cream, kefir, etc.</b>	<b>0403xx</b>				
<b>Other fermented or acidified milk, cream</b>	<b>040390</b>	<b>0</b>	<b>1,292</b>	<b>1</b>	<b>-</b>
<b>Of which: Belgium</b>		<b>0</b>	<b>1,292</b>	<b>0</b>	<b>-</b>
<b>Cheese and Curd</b>	<b>0406xx</b>				
<b>Fresh</b>	<b>040610</b>	<b>761</b>	<b>731</b>	<b>717</b>	<b>765</b>
<b>Of which: USA</b>		<b>538</b>	<b>563</b>	<b>598</b>	<b>597</b>
<b>France</b>		<b>1</b>	<b>168</b>	<b>90</b>	<b>137</b>
<b>Greece</b>		<b>161</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>within 5<sup>th</sup> addition</b>	<b>040620</b>	<b>8</b>	<b>361</b>	<b>527</b>	<b>815</b>
<b>Of which: USA</b>		<b>-</b>	<b>342</b>	<b>516</b>	<b>785</b>
<b>Italy</b>		<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>040630</b>	<b>403</b>	<b>303</b>	<b>444</b>	<b>761</b>
<b>Of which: USA</b>		<b>75</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>France</b>		<b>253</b>	<b>303</b>	<b>319</b>	<b>714</b>

**Table 8 a: Israel - Major Suppliers of Dairy Products, \$'000 - cont'd**

	HSCode	1996	1999	2000	2001
<b>Russia</b>		-	-	-	28
	<b>040640</b>	<b>119</b>	<b>147</b>	<b>180</b>	<b>274</b>
<b>Of which: Denmark</b>		<b>83</b>	<b>143</b>	<b>141</b>	<b>154</b>
<b>France</b>		-	-	14	111
<b>Germany</b>		36	-	-	-
<b>Other cheese</b>	<b>040690</b>	<b>1,414</b>	<b>1,951</b>	<b>2,501</b>	<b>3,727</b>
<b>Of which: France</b>		<b>397</b>	<b>834</b>	<b>930</b>	<b>820</b>
<b>USA</b>		<b>187</b>	<b>414</b>	<b>137</b>	<b>181</b>
<b>Germany</b>		<b>151</b>	<b>132</b>	<b>97</b>	<b>191</b>
<b>Netherlands</b>		<b>118</b>	<b>151</b>	<b>448</b>	<b>601</b>
<b>Denmark</b>		<b>232</b>	<b>40</b>	<b>186</b>	<b>590</b>

Source: Israel Dairy Board, Annual Report 2001, Israel Central Bureau of Statistics

This table contains countries shipping products worth more than \$500,000.

The increase in cheese imports may be attributed to the government policy, initiated in 1998, to gradually reduce duties to 50 percent ad valorem. It appears that the 50 percent duty does not effectively deter the importers from increasing the imported quantities. As for cheese of U.S. origin, there is a duty free quota of 447 mt. In the future, duty imposed on cheese will be approximately \$3.00/kg, falling gradually each year by approximately, 10 cents/kg.

The imported milk powder and butter complement the domestic production of raw milk. They are used by the dairies and by other food processing plants to produce ice-cream, chocolate and other products. The imported components are mainly used by dairy plants for production of soft cheese excluding cottage cheese, within the limits allowed by official Israel standards.

Imports in 2001 consisted in net terms of 1,645 mt of skim milk powder, 2,350 mt of whole milk powder, 1,450 mt of cheese, and a net export of 138 mt of butter. Calculating the amount of raw milk required to supply these imported components leads to a skim milk equivalent of 55 million to 60 million liters of milk. This amount constitutes about 5 percent of the entire market.